DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY [illegible] DATE 11/7/80

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FA or FOI EXEMPTIONS [illegible]

(25) R

December 17, 1952

MEETING OF THE NATIONAL SECURITY COUNCIL,
WEDNESDAY, DECEMBER 17, 1952

The resolution on the oil cartel affair set forth in Annex 2 of the briefing book was proposed by me to the Council. There was a long discussion of it with only Mr. Immerglick of Justice and a representative of the Department of Labor objecting to it.

The resolution carried, and I suggested that CIA should be requested to prepare a special estimate on the effects abroad of the pending proceedings for the use of the Committee named in the resolution. This was agreed.

State was requested to take charge of coordirating the duties mentioned in the resolution and to make sure they are presented to the Council at its January 5 meeting.

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1952 DEC 19 AM 10 49
OFFICE OF DIRECTOR S/S

David Bruce

Copies to: Mr. Jernegan
Mr. Linder
Mr. Nitze ✓
Mr. Bohlen
Mr. Matthews
Mr. Sohm
S/S File

U:DB:GES

[illegible]

4. A reexamination of the acts that have been taken in these matters is now urgent from the standpoint of national security.

Based upon these considerations, the paper recommends that State and Defense each give its appraisal of these suggestions and their recommendations for dealing with these problems. The paper also suggests that State no doubt has more complete reports concerning foreign public reactions and will undoubtedly be able to furnish additional information on these reactions.

The Department is now making a broad study of the current international petroleum situation. The study will determine whether, and, if so, to what extent, the national interest is being endangered by the effects of the FTC oil cartel report, the grand jury investigation of the operations of the international oil companies, and the suit to recover alleged over-charges on sales to ECA/MSA of Middle East crude oil. The study will recommend the policies which seem to be required to promote the international objectives of the United States in regard to petroleum. About two weeks will be required for its completion.

It would seem that the Department could take either of two courses of action at this time in regard to NSC 138: (1) it could report that it is already attacking the problems raised by NSC 138, and will, as soon as its study is completed, submit a report and its recommendations to the Council, or (2) it could recommend that the Senior Staff appoint a committee of State, Defense, and FEA to make the study and prepare the recommendations called for by NSC 138. State could then make its study available to the committee.

The latter course is preferable. The problems at issue are properly matters which are primarily the concern and responsibility of Defense, FEA, and State. Recommendations to the Council on security and international petroleum issues should therefore come from these three agencies. The Justice Department would be responsible for explaining the anti-trust and domestic aspects of the problem.

Recommendation

It is recommended that the Department should take the position that the issues raised in NSC 138 should be referred to a special committee

committee of State, Defense, and FAC for study and recommendation to the Council. Attached is a draft (Annex II) of an NSC action to present to the Council for adoption.

2. The Department should not reveal, either in Senior Staff or in the Council, the fact that it has had a study of this problem under way, but should be prepared to make the study available to the committee suggested in recommendation 1 if this committee is established.

Concurrences

GR ...A FA L

Attachments

1. Annex I, Summary of NSC 138
2. Annex II, Draft

(Memo of meeting with Secy of State 12-17-52)

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MEMORANDUM

DEPARTMENT OF STATE

December 16, 1952

1952 DEC 17 PM 12 23

OFFICE OF DIRECTOR

TO: S - The Acting Secretary

THROUGH: C - Mr. Bohlen

FROM: L - Mr. Linder

SUBJECT: NSC 138

Problem

To determine a Department position on NSC 138.

Discussion

NSC 138 was prepared and submitted to the Council by the Secretary of the Interior who is also the Petroleum Administrator for Defense.

A summary of the paper is attached as Annex I.

The main points of the paper are:

1. Oil from Venezuela and the Middle East is indispensable to the free world both in peace and war.

2. The consequences of the premature publication of the FTC oil cartel report and the grand jury investigation of the operations of the international oil companies have been catastrophic and could lead to the expulsion of United States and United Kingdom oil companies from Venezuela and the Middle East and the loss of oil from those sources to the free world.

3. National security considerations require that nothing should be allowed to interfere with the free flow of petroleum and petroleum products from Venezuela and the Middle East.

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(Original NSC here in Brussels office)

ANNEX I

DEPARTMENT OF STATE — Summary of NSC 138 — 12-17-52

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OFFICE OF DIRECTOR

1. Petroleum is indispensable in peace and war.

2. The Petroleum Administration for Defense (PAD) is responsible for ensuring to the U.S. an adequate supply of petroleum in all circumstances. The Petroleum Administration for war (PAW) successfully accomplished this objective in World War II, and PAD has done so in the existing emergency.

3. Demand for petroleum since World War II has increased about 14 per cent a year abroad and 7 to 8 per cent yearly in the U.S. Demand will continue to increase but at a slower rate than during the years since World War II. 90 per cent of European requirements will have to be supplied from the Middle East and Venezuela. The U.S. will be short 2.5 million barrels daily in 1975; Venezuela will have a surplus of only 1.3 million barrels daily at that time; hence in 1975 the U.S. will have to be importing 1.2 million barrels daily from the Middle East.

4. The free world now has a 11.5 to 1 advantage over the USSR and its satellites from the standpoint of oil supplies; the loss of the Middle East and/or Venezuela would materially alter this ratio to the disadvantage of, if not catastrophically to, the free world.

5. The report discusses the history of the entry of American oil companies with the Middle East and their current ownership of a majority of the 52 billion barrels of oil reserves in the Middle East. By comparison U.S. reserves are 32 billion barrels and those of Venezuela 10 billion barrels.

6. The report discusses the FTC report entitled "The International Petroleum Cartel" at length and makes the following points in regard to it:

(a) It was a staff report that was never approved by any member of the FTC.

(b) Foreign governments, the foreign press, and left wing groups have interpreted the FTC Report as an action of the U.S. Government.

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(c)

(c) Evidence is cited to show that the effects of the release of the FTC Report and the grand jury investigation on U.S. petroleum interests abroad have been seriously damaging

(d) Expulsion of U.S. and British interests from the Middle East would mean the eventual loss of Middle East oil to the free world.

(e) The Department of State undoubtedly has more complete reports concerning foreign public reactions /to the FTC Report and the grand jury investigation/ and will undoubtedly be able to furnish additional information.

(f) Expulsion of American interests from the Middle East, the Far East or Venezuela can serve the cause of no one but the Communists.

(g) While officials in Arab countries may distinguish between the U.S. Government and the American oil companies, the Arab in the street is not likely to do so. Certainly Communist agitators will not do so. Condemnation of Americans in those countries will inevitably adversely affect this Government.

(h) It is apparent from the press statements quoted that the reaction to the premature release of the FTC Report and impaneling of the grand jury has been intense.

(i) Loss of Venezuelan and Middle East petroleum resources for any reason would be catastrophic.

7. Consequences of FTC release and impaneling of grand jury "remain catastrophic and compel reexamination of the acts taken from the standpoint of national security. Certainly all would agree that the interests of national security in this tinder box would transcend all other considerations."

8. It may well be that the interests of national security will be affected by results stemming from the FTC Report and the grand jury investigation. Undoubtedly the Secretaries of State and Defense can provide authoritative comment on these matters.

9. The National Security Council is the proper and most appropriate forum to view this matter and to recommend to the President the course of action required by the over-riding, all important considerations of national security.

10. In the interest of national security nothing should be done to interfere with the free flow of petroleum and its products from these surplus production areas, i.e. the Middle East and Venezuela, to the free friendly foreign nations of the world.

11. The Departments of State and Defense are perhaps better able to evaluate subject matter of this memorandum. "It is suggested that the Department of State and the Department of Defense each give its appraisal of these suggestions with their recommendation for dealing with these problems."

[redacted]

ANNEX II

The National Security Council notes the memorandum of December 3, 1952 by the Secretary of Interior and Petroleum Administrator for Defense (NSC 138) and welcomes the initiative undertaken in raising the security and international political problems implicit in the current petroleum situation. The Council requests the Departments of State, Defense, and Interior (Petroleum Administrator for Defense) to prepare a study and recommendations on the security and international issues arising from the current situation. The study should, if possible, be completed by January 5, 1953, and the Department of Justice should be asked simultaneously to furnish a report to the Council on the domestic and legal aspects of the problem.

[redacted]